



Hospitality with Hope: Transforming Hotels into Homes



Shores Landing, Redwood City



Casa Esperanza, Redwood City



Coast House, Half Moon Bay



Pacific Inn, Redwood City



El Camino House, San Mateo

“The true measure of any society can be found in how it treats its most vulnerable members.”

Often attributed to Mahatma Gandhi

Hospitality with Hope: Transforming Hotels into Homes

ISSUE

Finding or creating safe shelters or homes for those who are unhoused is no easy feat. During the last four years, San Mateo County has purchased five existing hotels and converted them to add 315 housing units and services for more than 500 previously unhoused individuals and has approved the acquisition of two additional hotels. This Grand Jury report focuses on how and why the County did this, and the successes and challenges it experienced. It makes recommendations regarding the ongoing operation of the converted hotel properties.

SUMMARY

San Mateo County has a goal of “functional zero” homelessness, a milestone whereby every unsheltered person who needs and wants assistance would be offered interim or permanent housing. The County has made a major effort to provide additional permanent and interim housing, and one of its significant efforts has focused on purchasing and converting existing hotels into housing (Hotel Plan).

During the onset of the COVID-19 pandemic, and starting in the summer of 2020, the County worked swiftly to apply for grants and funding made available by the State of California’s Project Homekey program (Homekey) to acquire and renovate five hotel properties and convert them to interim and permanent “non-congregate” (private) housing units. The Hotel Plan quickly added 315 non-congregate units across five converted hotel properties in three cities in the County that were then available for occupancy within six to sixteen months. The converted hotels include two permanent housing properties and three interim housing properties. They serve over 500 individuals, including a mix of seniors, individual adults, and a few families. The hotel conversions cost the County approximately 43% less than new construction and were completed much faster.

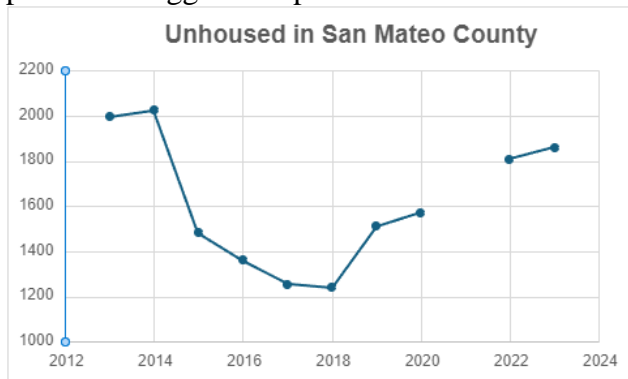
During the hotel conversion process, the County awarded contracts to experienced nonprofit organizations to operate and manage the properties and provide health and social services to the residents. The nonprofit operators provide many valuable services: case management, lease compliance, socialization among residents, life skills development, financial literacy training, and job counseling. They connect residents to programs for medical care, mental wellness and substance abuse services, and to organizations that provide clothing, food, and transportation. They help residents complete paperwork to collect social security, disability claims, housing vouchers, and other financial resources. The interim housing properties also offer daily meal service.

Notably, while the County was implementing its Hotel Plan, it used additional Homekey funds to construct the new Navigation Center on County-owned land in Redwood City, which opened in the spring of 2023. The Navigation Center added 240 units of non-congregate interim shelter with services. Thus, with the hotel conversions and the new Navigation Center, the County added a total of 555 interim and permanent housing with services units (in Redwood City, San Mateo and Half Moon Bay) in a short four-year period, 2020-2024. In addition, the County approved the acquisition of two more hotels, with opening dates to be determined, in the cities of Millbrae and South San Francisco.

This report highlights the successes and the challenges of the Hotel Plan and makes recommendations regarding the ongoing operation of its properties, including: communicating a long-term plan for the properties; developing and applying performance metrics to track progress and success; establishing closer partnerships with all invested parties; and ensuring properties are well maintained.

BACKGROUND

The COVID-19 pandemic exacerbated homelessness.¹ COVID-19 also stimulated our government to improve conditions for vulnerable people living on the streets or in congregate shelters where they were more exposed to the virus and its risk of hospitalization and death. The pandemic triggered unprecedented federal and state resources for programs such as Homekey.



Data from 2021 is unreliable due to COVID-19

Homekey is an \$846 million state-level program that supports the acquisition and conversion of hotels and other properties to house people experiencing homelessness throughout California. The state’s long-term intention is for the majority of Homekey properties to become permanent affordable housing. Homekey began shortly after the start of the COVID-19 pandemic in July 2020, following Governor Newsom’s Project Roomkey. Project Roomkey was the first program in the United States authorized to use Federal Emergency Management Agency (FEMA) dollars to secure temporary hotel rooms for emergency non-congregate shelter. The goal was to reduce the spread of COVID-19 among people living on the streets or in crowded traditional

¹ HUD Statistics for Point in Time Homeless Counts by “Continuum of Care”
<https://www.hudexchange.info/resource/3031/pit-and-hic-data-since-2007>

“congregate” homeless shelters where they shared a room and facilities. “Non-congregate” shelters, in contrast, provide private rooms and facilities.

Building on the success of Project Roomkey for emergency shelter, California then established Homekey to acquire properties that could be converted relatively quickly and efficiently for permanent housing. Governor Newsom described Homekey as a once-in-a-generation opportunity to massively expand housing for homeless individuals in California with federal stimulus funds.² During the six-month period July through December 2020, California spent \$846 million from the Federal Coronavirus Relief Fund, the California General Fund, and contributions from philanthropic partners to convert properties which created 6,029 new units of permanent housing in 120 communities. Statewide, the average cost per unit converted was \$147,000, substantially less than the \$425,000 average cost per unit to build from scratch (based on a 100-unit affordable housing project in California).³

In July 2020, Governor Newsom announced that local public entities, including cities and counties, could apply for \$600 million in Homekey funding to acquire hotels or other properties suitable for quick and cost-efficient conversion to permanent housing. San Mateo County immediately started applying for Homekey funding, identifying properties, sending out Requests for Proposals (RFPs) to contractors and nonprofits, negotiating with hotel owners, and getting appraisals and construction bids. The County applied for Homekey funds three times and was approved the first two times, receiving a total of \$117 million disbursed as follows: \$3 million in November 2020, \$68 million in December of 2021, and \$16 million in February 2022.⁴ It then finalized documentation for purchase, closed escrow and renovated five hotels, and approved the purchase of two additional hotels.

The County’s stated criteria for selecting hotel locations included several factors: distance to public transit, food, shopping and medical services; parking; ability to secure the property and safety. Criteria for selecting the hotel properties included: a requirement for kitchen and bathroom facilities in the rooms, availability of office and common areas to provide services, elevators to accommodate people with disabilities, and properties in a condition that did not require overly extensive renovation or repair. The County converted two hotels to permanent affordable housing with services (Shores Landing and Casa Esperanza) and converted three hotels to interim housing with services (El Camino House, Pacific Inn, Coast House).

² Tingerthal, M. (2021). “Homekey: California’s Statewide Hotels-to-Housing Initiative.” National Alliance to End Homelessness. Retrieved from: https://endhomelessness.org/wp-content/uploads/2021/07/CA-H2H-Case-Study_7-19-21.pdf

³ Article from HUD Office of Policy Development and Research dated May 17, 2022, <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-051721.html>(HUD)

⁴ County of San Mateo County Executive Office Press Release. “State Awards County \$16M to House Homeless, dated February 11, 2022;” <https://www.smcgov.org/ceo/news/state-awards-county-16-million-house-homeless>

The Homekey grants came with strict timelines imposed by the State of California – some positive (*i.e.*, Homekey dollars provided an immediate source of funds, and acquired properties did not require zoning changes or extensive entitlement processes, allowing for quick purchase and renovation), and some negative (*i.e.*, little time to research and plan the renovations, or to allow stakeholders: cities, community residents, local businesses, schools and nonprofit partners, to address their concerns in the deliberative manner some wished).

DISCUSSION

Delivering the Housing

Funding for the County’s hotel conversions came primarily from Homekey, supplemented by allocations from the federal Coronavirus Relief Fund (CRF), the state CARES Act, The County’s Measure K, and local philanthropic organizations. Homekey provided a streamlined funding source. Typical affordable housing developments require multiple funding sources, each with its own applications and complex regulations, making for a challenging, time consuming, and labor-intensive process. Homekey exempted hotel conversions from requirements for cities to adjust zoning, hold public hearings, or conduct environmental reviews.⁵

Homekey imposed strict timelines and restrictions. For interim housing projects that ultimately result in permanent housing, a thirty-year affordability covenant must be recorded against the property during the interim phase, and upon conversion to permanent housing, a fifty-five-year affordability covenant must be recorded.⁶ Homekey grant money must be spent within eight months of funding, and construction must be completed within twelve months. Homekey properties must be fully occupied within ninety days of completed construction.

With converted hotels, cities faced possible loss of hotel occupancy tax (HOT) or transient occupancy tax (TOT). Additionally, the properties purchased by the County were removed from the property tax rolls. Some cities raised concerns that loss of hotel taxes would result in significant revenue reduction that would affect their budgets. The County helped the cities that asserted losses or increased burden on municipal services to mitigate these losses by negotiating reimbursement agreements. For example, in April 2021, the County Board of Supervisors unanimously approved a one-time payment of \$1.5 million to Redwood City to reimburse it for possibly lost hotel taxes as a consequence of the conversion of Pacific Inn and Shores Landing.

⁵ Levin, Matt, Converting a Motel to Homeless Housing, Step by Step, Cal Matters, dated June 9, 2020 updated June 15, 2020, <https://calmatters.org/housing/2020/06/motel-conversion-homeless-housing-california>.

⁶ See Glossary for more re: affordability covenants

The net result of these funding incentives, exemptions, and restrictions allowed the County to provide additional housing in a shorter period (6-16 months), versus conventional new construction (3.5+ years), and at less than half the cost per unit (see Table below).⁷



Homekey is Less than Half as Expensive as Conventional New Construction

	CONVENTIONAL NEW CONSTRUCTION	HOMEKEY PROJECT
Permanent Loan	\$30,000,000	–
City	\$3,000,000	–
County	\$8,000,000	\$11,484,574
State	\$3,000,000	\$18,048,000
Tax Credits	\$30,000,000	–
Total	\$74,000,000	\$29,532,574
Total Per Unit	\$632,479	\$310,869

NOTE: The per unit number noted above (\$310,869) excludes development costs. The \$369k per unit number noted below includes development costs. Also see Appendix.

For example, the County completed the Shores Landing project in five months, purchasing it in December of 2020 and moving residents in starting May 2021. The cost for converting Shores Landing (including purchasing, renovating and additional development costs) was \$34.3 million (\$369k per unit) versus an estimated \$74 million (\$632k per unit) for conventional new

⁷ San Mateo County Department of Housing Website, PDF titled “Shores Landing- A Playbook for Supportive Housing Solutions,” Published April 2023.

construction. On average for all five hotels, the County converted them at a cost of \$362k per unit, approximately 43% less than conventional new construction.⁸

Cost for 5 Open SMC Homekey conversions	
Purchase Price	\$88,563,925
Renovation Cost	\$19,933,844
Other Development Cost	\$5,570,642
Total Cost	\$114,068,411
Total # of Units	315
Avg Renovation+Other Devel Costs per Unit	\$80,967
Avg Purch Price per Unit	\$281,155
Avg Total Cost per Unit	\$362,122
Total Cost for Conventional Construction (Shores Playbook 2023, p. 11)	\$632,479
Savings: SMC Homekey v. Conventional Construction	43%
<i>Source: San Mateo County Dept. of Housing</i>	

The County Board of Supervisors voted in September 2023 to approve the purchase of two additional hotel conversion properties: La Quinta Inn in Millbrae and Ramada Inn in South San Francisco. Both are in contract, and both are awaiting funding approval from Homekey or other sources.

La Quinta Inn in the city of Millbrae has a purchase price of \$33M and would provide 75 units of permanent housing with onsite supportive services for seniors and families. Ramada Inn in South San Francisco has a purchase price of \$11M and would provide 45 interim housing units for formerly homeless adults. While the purchase of Ramada Inn has not encountered notable resistance, the purchase of La Quinta Inn has generated significant attention from the Millbrae community, and the city of Millbrae initiated litigation. City officials believe the County should have sought city input prior to entering into the purchase contract. The city of Millbrae alleges that the State Constitution prevents the County from purchasing low-income housing without a ballot vote. The Court is allowing the County to proceed with the purchase, but the case will be decided this summer 2024. (In May 2024, the Court issued a tentative decision in the County’s favor.)

⁸Grand Juror Interview, and Data provided by San Mateo County Department of Housing dated as of February 2024.

Housing Characteristics - Permanent vs Interim

The current portfolio of five hotel conversions includes two permanent affordable housing properties (Shores Landing and Casa Esperanza, both in Redwood City) and three interim properties (Coast House in Half Moon Bay, El Camino House in San Mateo, and Pacific Inn in Redwood City).

Permanent housing is different from interim housing in terms of residents and services provided. Shores Landing is operated by MidPen Housing (MidPen) which provides on-site property management services, including lease enforcement and some property repairs and maintenance. MidPen also collaborates with Mental Health Associates (MHA) which provides mental health and other services. Each resident in the permanent housing property has a lease, may pay some rent or has a voucher or subsidy, and has lease obligations. Residents are responsible for the upkeep of their rooms, shopping for food, and paying bills. The County Department of Housing (DOH) oversees the permanent housing properties and collects data.

Shores Landing houses extremely low-income seniors aged 62 and older. Most if not all had already lived indoors in group shelters or housing situations, so the transition to Shores Landing was easier and familiar for them. Most of the residents have a small source of income: disability, social security, and other benefits that are low enough to qualify for eligibility.

Casa Esperanza, operated by Alta Housing with services provided by MHA, houses a different population. Most of the individuals came directly from living outdoors and were identified in the County's Coordinated Entry System (CES) as most in need. Very few have income; the combined income for all residents at the 51-unit property is approximately \$7,000 per month. Helping these individuals learn to live successfully indoors in a housing environment with rules, procedures, and lease obligations is difficult. Their placement directly into permanent housing without transitioning through interim housing presents challenges and requires intense supportive services. Delivering those services was even more difficult in the first several months, until the County constructed an appropriate community room.⁹

For the interim housing properties, Coast House is operated by Life Moves, and El Camino House and Pacific Inn are operated by Samaritan House. Life Moves and Samaritan House provide onsite day-to-day supportive services for all residents, and all maintenance, repairs and renovations are coordinated with the County via its Department of Public Works (DPW).

Interim housing is designed to provide temporary housing (6-12 months) while individuals find a path toward permanent housing, taking advantage of many services offered to assist in the transition. Homekey's goal for the interim housing properties is to ultimately change them to permanent affordable housing. The timing for this change from interim to permanent will have to be determined by the County and its partners. The nonprofit operators have noted that both permanent and interim housing are necessary and complementary in addressing the needs of unhoused individuals. It is difficult for individuals to transition directly from the street to living independently in permanent housing communities.

⁹ Grand Juror Interviews

Common to all interim properties are: (i) a menu of supportive services; (ii) 24/7 security; (iii) clients must comply with rules and curfews; (iv) meals are provided 3x per day; and (v) rooms are furnished, linens are provided, and rooms are cleaned 1x per week, with clients being responsible for their personal laundry (some properties have laundry facilities onsite).

Next Steps?

San Mateo County is now the owner of a portfolio of housing properties

Hotel conversion properties do experience some operational issues. For example, Coast House does not have on-site laundry facilities, which is particularly challenging for disabled clients.¹⁰ The fire alarm systems at Coast House and El Camino House were not designed for 24/7 residential occupancy. False alarms are frequently triggered by moisture and microwave use.

At El Camino House and Pacific Inn, most of the clients came from emergency shelters, and learning to live in a housing environment takes time and intensive services. El Camino House has a smaller population of clients aged 24+ with no children or families. Pacific Inn has a larger population with clients ranging in age from infants to seniors. Pacific Inn lacks enough accommodations for families: absence of play areas for children, and insufficient access to affordable childcare.

El Camino House and Pacific Inn have pest and rodent issues. This requires constant cleaning, and replacement of mattresses, bedding and furniture at added cost, and creates health issues for the clients and staff.¹¹ Preparing a vacant unit for turnover to a new resident or making needed and/or unexpected repairs in a unit (*i.e.*, burst pipes, pests, broken windows) can be time-consuming, costly, and can result in excessive downtime for occupancy.

Successes are holiday festivities and public donations for children. The County recently constructed an onsite housing liaison office at Pacific Inn and a community room at Casa Esperanza, which will help with providing services. Some properties have recently added new services: nurse practitioner visits, vet services, therapy sessions, and dental visits.

In general, the hotel properties purchased by the County were of a vintage not built with plumbing, electrical wiring and elevators to accommodate all of the needs and the more intensive 24/7 use by residents. Accordingly, some properties needed renovations at the beginning, and may need additional renovation.

The County owns all the properties and ultimately has responsibility for all the repair and maintenance and capital obligations. The County Department of Public Works (DPW) has become responsible for maintaining these hotel conversion sites. Property managers, nonprofit operators, mental health providers, and the County in conjunction with DPW will now need to establish working relationships as invested parties. During our interviews, some nonprofit

¹⁰ Grand Juror Interview

¹¹ Grand Juror Interviews and Quarterly Performance Reports (and narratives) prepared by Life Moves and Samaritan House for the Reporting Period 10/01/2023 - 12/31/2023 as required by HSA and provided to the Grand Jury by HSA on February 16, 2024.

operators expressed frustration with getting additional renovation projects and repairs completed by the County/DPW in the first several months after these properties opened. Going forward, the County will need to clearly allocate responsibility for repairs and renovation, and communicate timelines, cost allocations, and budgets among all the parties.

Communication - Perspectives from Cities, Communities and Nonprofit Operators

Homekey allowed hotels to be converted without a city adjusting its zoning rules or holding public hearings. Homekey exempted hotel conversions from state-mandated environmental reviews. Technically, the County had no obligation to consult with or communicate with cities.

The County did not take that route with communication; instead, it actively communicated and coordinated with cities, and with neighborhood associations or individuals who voiced concerns. For example, officials in Redwood City and Half Moon Bay were well aware of what the County was doing and planning. The County held meetings with city officials to discuss issues related to loss of hotel and tax revenue, possible increased municipal services and neighborhood concerns. The County heard strong neighborhood voices both for and against Shores Landing (Redwood City) at the start, and County officials and MidPen (Shores Landing property management) continue to “check in” regularly. El Camino House (San Mateo) and Pacific Inn (Redwood City), located on busy El Camino corridors, had little neighborhood reaction. Casa Esperanza (Redwood City) experienced some opposition initially, due to a large residential apartment complex located behind, but reports and interviews show little reaction or complaints in the past several months. The current property management works actively with adjacent business owners to ensure they know who to contact if issues arise.

City officials in Redwood City and Half Moon Bay are pleased with the County’s involvement, support and communication with them and the neighbors. None of these hotel properties are located near predominantly single-family residential areas. The properties were hotels before and were zoned for that use.

The City of Half Moon Bay’s response to Coast House is notable. The City viewed the proposed acquisition of Coastside Inn (later renamed Coast House) with enthusiasm as a sensible solution to difficult circumstances: within a short walk from City Hall was a large homeless encampment, with additional encampments nearby and along Pilarcitos Creek. This was at the peak of the COVID-19 pandemic and health risks were high. Neighbors and parts of the community raised concerns of criminal behavior and proximity to schools and the Town Center. The City responded with a communication plan, including setting up an advisory committee of local residents, that helped resolve the concerns.

In contrast, as discussed above, Millbrae chose to sue the County, challenging its acquisition of the hotel in its city. Millbrae alleges that the State Constitution prevents the County from purchasing low-income housing without a ballot vote.

The nonprofit operators of the hotel conversions that we interviewed were generally pleased with their working relationship with the County. They noted, however, that due to Homekey’s

compressed timeline, they were not all included in pre-purchase property inspections. Additionally, they were not all given the opportunity to provide input on how to renovate the properties and common areas so they could provide appropriate services for the targeted population. They noted that with more involvement, they may have been better able to respond to the County's Request for Proposals (RFPs), prepare their operating budgets and reduce unexpected operational or renovation costs.

Measuring Success

Data shows that the hotel conversions were significantly less expensive and faster to acquire and renovate than conventional new construction. The County has not yet clarified what data it will use to determine how successful the Hotel Plan is in transitioning homeless individuals from the three interim housing properties to permanent housing. In the coming months, the County (via HSA and others) will collect enough data from nonprofit operators and others to analyze the health improvements of the residents and their transition in and out of the properties, thereby assessing the effectiveness of services provided.

What we do know from published studies is that the cost to our cities of *not* doing projects like the Hotel Plan is high. In 2012, Shaun Donovan, Secretary of the U.S. Housing and Urban Development Department (HUD) stated that, "...between shelters and emergency rooms and jails, it costs about \$40,000 a year for a homeless person to be on the streets."¹²

A 2017 study by the RAND Corporation evaluated various programs in Los Angeles County, California and found that the costs for public services consumed in the year after receipt of long-term housing declined by nearly 60%. In the year prior to housing, participants received public services that cost an average of \$38,146. That total fell to \$15,358 in the year after housing was received. Even after considering the costs of permanent supportive housing, savings to the county was about 20%.¹³

Research shows that providing permanent supportive housing to the homeless community saves the taxpayer money: healthcare costs are reduced by 59%, emergency department costs are decreased by 61%, and the number of general inpatient hospitalizations is decreased by 77%.¹⁴

Research also states that "supportive housing significantly reduced people's interactions with police and reduced the number of times they were arrested. ...people in the treatment group were

¹² Hunter, Sarah B., Melody Harvey, Brian Briscoombe, and Matthew Cefalu, Evaluation of Housing for Health Permanent Supportive Housing Program. Santa Monica, CA: RAND Corporation, 2017. https://www.rand.org/pubs/research_reports/RR1694.html

¹³ Same citation as above.

¹⁴ Linkins KW, Brya JJ, Chandler DW. Frequent users of health services initiative: final evaluation report. The California Endowment and the California HealthCare Foundation; August 2008. <https://www.chcf.org/wp-content/uploads/2017/12/PDF-FUHSIEvaluationReport.pdf>

arrested for 52 percent fewer offenses. Expanding supportive housing could help police redirect their focus on serious crimes.”¹⁵

Today, the County’s five converted hotels are fully functioning.¹⁶ The County is learning and working through the challenges associated with the conversions. Building upon what has been created in this short period of time, the County should be in a position to define and communicate its long-term strategic plan for owning, operating, maintaining and funding these properties.

This Grand Jury report touches upon only some of the complexities of providing housing and services. The Hotel Plan is one important element in the County’s goal of achieving “functional zero” homelessness.

FINDINGS

- F1. The County and its partners should be commended for acting swiftly, taking advantage of Homekey funds and executing the Hotel Plan when the statewide opportunity arose four years ago.
- F2. The County’s Hotel Plan added a significant number (315) of non-congregate units across three cities, providing housing and services for over 500 formerly unhoused individuals in a quick and cost-efficient manner.
- F3. Each of the five converted hotels is distinct, providing either permanent housing or interim housing, serving diverse individuals and offering services based on individuals’ specific needs.
- F4. Data and interviews with County staff and nonprofit service providers indicate a need for housing families.
- F5. While the goal of Homekey is to make all the converted hotels permanent housing, data and interviews with County staff and nonprofit service providers indicate interim housing with services will be continuously needed to help transition individuals who have been unhoused for an extended time.
- F6. The County experienced some communication hurdles with its partners, cities and neighbors regarding the Hotel Plan.
- F7. The placement criteria of the Coordinated Entry System (“CES”) does not always match the unhoused individual with the most appropriate facilities and services.
- F8. Homekey imposed strict short timelines for property inspections, so some pre-purchase due diligence processes could not occur. Thus, the County and nonprofit operators had to modify

¹⁵ Urban Institute: “Policing Doesn’t End Homelessness. Supportive Housing Does.” <https://urbn.is/3RoC3Ag>

¹⁶ See Appendix pp. 2-4 for DOH tables describing the five converted hotels and the two pending hotels.

the properties later, which made operating the properties more difficult in the initial months and added cost.

- F9. The County has not communicated what performance metrics it has developed to evaluate whether hotel conversions are meeting objectives.

RECOMMENDATIONS

The Grand Jury recommends that San Mateo County do the following:

- R1. By June 30, 2025, communicate at a public meeting the County's long-term strategic plan to address how the County will: (i) continue to fund new and existing hotel conversions, services and operations; (ii) provide facilities to accommodate families; and (iii) establish timelines for possibly converting interim properties to permanent housing.
- R2. By December 31, 2024, develop a communication program to address the concerns of future hotel acquisition communities - by engaging parties that now have operating experience in their cities and communities to share challenges, successes and data.
- R3. By December 31, 2024, develop and implement a process for closer collaboration between the nonprofit operators and the County to ensure that eligible individuals are matched with the right type of housing and services.
- R4. By December 31, 2024, develop and implement a process for closer collaboration between the nonprofit operators and the County to ensure repairs, maintenance, and renovations occur in a timely manner.
- R5. By December 31, 2024, implement the use of an annual or semi-annual collaborative on-site property condition report involving the nonprofit operators and the County to detail and verify that agreed upon repairs, maintenance and renovations have been completed.
- R6. By December 31, 2024, ensure that a process is in place for regular meetings among nonprofit operators, mental health providers, and the County to share issues and best practices across all the properties.
- R7. By December 31, 2024, develop and apply performance metrics to evaluate whether and how hotel conversions are meeting objectives, and communicate this to the public.

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Civil Grand Jury requests responses from the San Mateo County Board of Supervisors to all Findings and Recommendations.

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.

RESPONSE REQUIREMENTS

California Penal Code Section 933.05 provides: For purposes of subdivision of Section 933, as to each Grand Jury finding, the responding person or entity shall report one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding; in which case the response shall specify the portion of the disputed finding and shall include an explanation of the reasons.

For purposes of subdivision of Section 933, as to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has yet to be implemented but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study and timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. The time frame shall be at most six months from the Grand Jury report's publication date.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

METHODOLOGY

Documents: This Grand Jury reviewed documents from websites, articles, and collected data from various interviewees.

Observations: This Grand Jury visited four of the five hotel properties, as well as the Navigation Center.

Interviews: This Grand Jury interviewed:

- Five representatives of departments, divisions, and offices of San Mateo County: County Executive's Office, Department of Housing, Human Services Agency and Department of Public Works
- City Manager's Offices (Redwood City, Half Moon Bay and Millbrae)

- Each of the nonprofit operators at the five properties (Life Moves, Samaritan House, Alta Housing, MHA, and MidPen)

GLOSSARY

AB 83

AB 83 provided that Homekey projects received CEQA exemption and were deemed to be “consistent and in conformity” with local land use without review.

Affordability Covenant

A recorded deed restriction on a property, restricting its use, operation, occupancy and affordability. The State of California required the County to record one for each converted hotel property.

Affordable Housing

Affordable housing is generally defined as housing in which the occupant is paying no more than 30% of gross income for housing costs, including utilities.

Affordable Housing Program

A locally established program to make safe and secure housing available to families identified as “income eligible.”

CEQA

California Environmental Quality Act; a section of the California Government Code used to evaluate the environmental impacts of a project or development. CEQA generally requires state and local governmental agencies to inform decision makers and the public about the potential environmental impacts of proposed projects, and to address certain environmental impacts to the extent feasible.

Coordinated Entry System (CES)

Coordinated Entry System is a consistent, community-wide intake process to match people experiencing homelessness to existing community resources that are the best fit for their situation.

Congregate Housing vs. Non-Congregate Housing

Congregate Housing is housing shared by two or more individuals not related to each other, typically with shared dining and other shared facilities. Non-Congregate Housing is housing that provides private sleeping units or rooms, where residents have private living space, often with a bathroom and kitchen area.

County

County of San Mateo County, unless otherwise indicated

DOH

San Mateo County Department of Housing

DPW
San Mateo County Department of Public Works

FEMA

Federal Emergency Management Agency, a US federal agency

Functional Zero

Functional Zero means ensuring that every county resident experiencing homelessness can be safely housed in an emergency shelter, or in temporary or permanent housing. It has been cited as a strategy consistent with the decision in *City of Boise v. Martin* (2019 9th Cir.) 920 F. 3rd 584; (Cert Denied 140 S. Ct 647, 205 L. Ed.438) (but issues are currently under review in another Supreme Court case) which prohibits cities from criminalizing unhoused persons for refusing to leave public space unless there is another place for the unhoused individuals to go.

Hotel Conversion

Process by which a public agency acquires an existing for-profit hospitality property for conversion to a public use, usually housing. The process removes the property from the Property Tax roll as the owner is now a tax-exempt entity.

Human Services Agency (HSA)

San Mateo County Human Services Agency

Interim Housing

Housing intended to be occupied by an "at risk" or underhoused population on a limited time basis while developing the needed skills and resources to transition into permanent housing.

Measure K

A voter approved half-cent sales tax in effect in San Mateo County which raises local funds for local needs.

Nonprofit Agency or Nonprofit Organization

A legal entity (usually a corporation) with a public benefit purpose. Such entities operate tax-free for income and property taxes. They can charge fees and receive income, and they can pay employees.

Permanent Supportive Housing

Combines the provision of an affordable housing unit (either a dedicated unit or via private market rental assistance) with a range of supportive services such as case management, mental health treatment, supported employment, and more, often provided onsite.

Project Homekey

Project Homekey is an \$846 million California state-level program that supports the acquisition and conversion of hotels and other properties to house people experiencing homelessness throughout California. [Born out of FEMA COVID-19 funding in 2020.](#)

[Turner Center, UC Berkeley - California's Homekey Program: Unlocking Housing Opportunities for People Experiencing Homelessness](#)

Project Roomkey

Predecessor program to Homekey. A California state-level program that funded temporary non-congregate hotel rooms for more than 62,000 people experiencing homelessness during the COVID-19 pandemic, starting in 2020.

<https://www.cdss.ca.gov/Portals/13/Press%20Releases/2024/CDSS-news-release-Project-Roomkey.pdf>

Shelter Housing

Housing available to unhoused persons on an emergency basis for protection from ~~environmental, safety and social crises.~~

Support Services

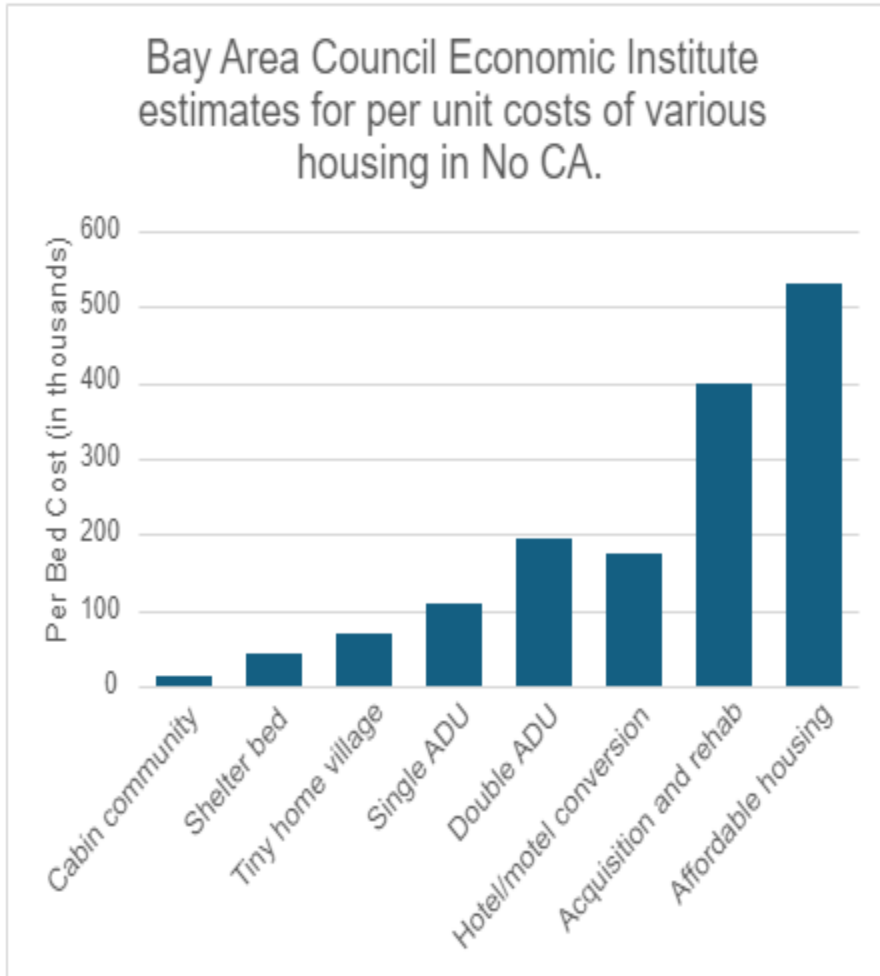
Services provided in conjunction with housing for mental health, behavioral issues (addiction, anger, etc.), hygiene, employment and finding permanent housing.

Unhoused

The word “unhoused” may be used as an alternative to the word “homeless” to describe people without a fixed residence or other shelter in cars, vans and campers.

APPENDIXES

Per Bed Costs (in thousands) of Various Types of Housing



**San Mateo County
Hotels Converted to Housing**

	Housing Name	City	Type	Population Housed	Units	Number Housed	Nonprofit Lead Operator	Services Provider	Property Manager
1	Shores Landing 1000 Twin Dolphin Parkway	Redwood City	Permanent Supportive Housing	Seniors	93	111	MidPen Housing	MidPen / MHA	MidPen
2	Casa Esperanza 1818 El Camino Real	Redwood City	Permanent Supportive Housing	Adults	51	54	Alta	MHA	Alta
3	Coast House 4100 Cabrillo Hwy	Half Moon Bay	Shelter/Interim	Adults	52	Varies weekly: 60s to 70s	Life Moves	Multiple (see footnote)	Lifemoves and HSA
4	El Camino House 2175 S. El Camino Real	San Mateo	Shelter/Interim	Adults	44	78	Samaritan House	Samaritan House	Samaritan House
5	Pacific Emergency Shelter f/k/a Pacific Inn 2610 El Camino Real	Redwood City	Shelter/Interim	Adults, Families	75	216	Samaritan House	Samaritan House	Samaritan House
	TOTAL for 5 Open Properties				315	approx 530			

Source:
SMC Dept of Housing

**San Mateo County
Hotels Converted to Housing**

	Housing Name	Purchase Date	Open Date	Approx # of Months to Open	Purchase Price	Renovation Cost	Other Costs	Total Cost	Annual Operating Budget
1	Shores Landing 1000 Twin Dolphin Parkway	12/3/2020	5/1/2021	5	\$29,250,000	\$283,000	\$4,735,791	\$34,268,791	\$1.7 million
2	Casa Esperanza 1818 El Camino Real	4/12/2022	2/23/2023	10	\$17,013,925	\$13,266,000	\$834,851	\$31,114,776	2017771
3	Coast House 4100 Cabrillo Hwy	12/8/2020	4/1/2021	3	\$8,000,000	\$1,888,122	\$0	\$9,888,122	1500000
4	El Camino House 2175 S. El Camino Real	3/17/2022	11/4/2022	8	\$12,800,000	\$3,200,000	\$0	\$16,000,000	\$1,679,840
5	Pacific Emergency Shelter f/k/a Pacific Inn 2610 El Camino Real	12/10/2020	3/1/2021	3	\$21,500,000	\$1,296,722	\$0	\$22,796,722	\$2,207,290
	TOTAL for 5 Open Properties				\$88,563,925	\$19,933,844	\$5,570,642	\$114,068,411	\$7,404,901

Source: San Mateo County Dept of Housing

San Mateo County Hotels Converted to Housing

Footnotes:	
1	<p>Shores Landing 1000 Twin Dolphin Parkway</p> <p>Little renovation needed to open; units already full apartments w/ kitchens, bathrooms (former long term stay hotel). Other costs: \$4.7M CDBG-CV funding from State to construct Community Room. # persons housed: As of report to CA HCD dated 7/2022.</p>
2	<p>Casa Esperanza 1818 El Camino Real</p> <p>Final renovation cost TBD. \$13,266,000 estimated at time of HomeKey award.</p>
3	<p>Coast House 4100 Cabrillo Hwy</p> <p>Service Providers: SMC Public Health Dept; "Mobile Medicine"; Animal Control; Abundant Grace (work program and assistance with hoarding); Coastside Clinic (BH Svcs); Abode (permanent housing navigation); PRC Coastside; Hope; El Centro</p>
4	<p>El Camino House 2175 S. El Camino Real</p> <p>Op. Budget and # Housed is FY 2023-2024. Final renovation cost TBD; \$3.2M estimate at time of HomeKey award.</p>
5	<p>Pacific Emergency Shelter f/k/a Pacific Inn 2610 El Camino Real</p> <p>Op. Budget and # Housed is FY 2023-2024. # Housed is higher in 2024 than typical for this property. SMC experienced increase in homeless families in the last 12-18 mos. so converted property from adults to families. As count of homeless families has begun to decrease, SMC has begun converting it back to intended use: interim housing for adults (vs. larger families), so # Housed will likely decrease.</p>

Source: San Mateo County Department of Housing

**San Mateo County
Pending Hotel Conversions
(in contract, awaiting funding)**

	Hotel Conversion/ Housing Name	City	Type	Population Housed	Units / Rooms	Number Housed	Nonprofit Lead Operator	Services Provider	Property Manager
1	La Quinta Inn & Suites 1390 El Camino Real	Millbrae	Permanent Supportive Housing	Seniors, Families	Total: 75 (50 Senior, 24 Family, 1 Mgr)	TBD	TBD	TBD	TBD
2	Ramada Inn 721 Airport Rd.	South San Francisco	Permanent Supportive Housing	Adults	Total : 45 (44 Adult, 1 Mgr)	TBD	TBD	TBD	TBD
TOTAL PENDING					120				

Source: San Mateo County Dept of Housing San Mateo County

**Pending Hotel Conversions
(in contract, awaiting funding)**

	Hotel Conversion/ Housing Name	Purchase Date	Open Date	Purchase Price	Renovation Cost	Other Costs	Total Cost	Annual Operating Budget
1	La Quinta Inn & Suites 1390 El Camino Real	Pending Award	TBD	\$33,000,000	\$15,836,676	\$0	\$48,836,676	\$2,734,228
2	Ramada Inn 721 Airport Rd.	Pending Award	TBD	\$11,000,000	\$7,850,000	\$0	\$18,850,000	\$1,383,252
TOTAL PENDING				\$44,000,000	\$23,686,676	\$0	\$67,686,676	\$4,117,480

Source: San Mateo County Dept of Housing



County of San Mateo

Inter-Departmental Correspondence

APPROVED BY
BOARD OF SUPERVISORS

SEP 10 2024

CLERK OF BOARD
BY  DEPUTY

Department: COUNTY EXECUTIVE
File #: 24-689

Board Meeting Date: 9/10/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Michael P. Callagy, County Executive
Subject: Response to 2023-24 Civil Grand Jury Report "Hospitality with Hope: Transforming Hotels into Homes"

RECOMMENDATION:

Approve the County's response to the 2023-24 Civil Grand Jury Report "Hospitality with Hope: Transforming Hotels into Homes."

BACKGROUND:

On June 20, 2024, the 2023-24 San Mateo County Civil Grand Jury issued a report titled "Hospitality with Hope: Transforming Hotels into Homes" (Report), requesting that the County respond to nine Findings and seven Recommendations set forth in the Report.

Pursuant to Penal Code Section 933, the County's response to the Report is due to the Honorable Amarra A. Lee, Judge of the Superior Court of California, County of San Mateo, no later than September 18, 2024, which is 90 days after issuance of the Report.

DISCUSSION:

Staff recommends that the Board of Supervisors submit the following responses to the Report in compliance with Penal Code Section 933.05:

FINDINGS

Finding 1:

The County and its partners should be commended for acting swiftly, taking advantage of Homekey funds and executing the Hotel Plan when the statewide opportunity arose four years ago.

Response: The County *agrees* with this Finding.

Finding 2:

The County's Hotel Plan added a significant number (315) of non-congregate units across three cities, providing housing and services for over 500 formerly unhoused individuals in a quick and cost-efficient manner.

Response: The County *agrees* with this Finding.

Finding 3:

Each of the five converted hotels is distinct, providing either permanent housing or interim housing, serving diverse individuals and offering services based on individuals' specific needs.

Response: The County *agrees* with this Finding.

Finding 4:

Data and interviews with County staff and nonprofit service providers indicate a need for housing families.

Response: The County *agrees* with this Finding.

Finding 5:

While the goal of Homekey is to make all the converted hotels permanent housing, data and interviews with County staff and nonprofit service providers indicate interim housing with services will be continuously needed to help transition individuals who have been unhoused for an extended time.

Response: The County *agrees* with this Finding.

Finding 6:

The County experienced some communication hurdles with its partners, cities and neighbors regarding the Hotel Plan.

Response: The County *disagrees* with this Finding as it relates to the interim housing Homekey sites. For the interim housing sites, the County implemented a multi-pronged approach to communicating with its partners, cities, and neighbors, which included attending city council meetings, holding community meetings and hosting an open house at El Camino House where members of the community could tour the site. In addition, County staff canvassed the affected neighborhoods to invite residents to the community meetings and worked closely with city staff. For permanent supportive housing sites, the County reached out to the city manager prior to the purchase of both sites, held community meetings with neighbors, and established websites for the various projects to keep the communities informed and residents to pose questions. In addition, the County continued to meet with neighborhoods and does quarterly checks ins to discuss concerns. Finally, MOUs were signed with the City of Redwood City for both sites located in their jurisdiction.

Finding 7:

The placement criteria of the Coordinated Entry System ("CES") does not always match the unhoused individual with the most appropriate facilities and services.

Response: The County *partially agrees* with this Finding. The Coordinated Entry System ("CES") prioritizes individuals based on vulnerability scores and only a small fraction of unhoused individuals who are assessed through CES are matched with housing placements due to limited availability. In general, there are not enough subsidized housing programs to meet all the individualized needs presented. As a result, some individuals may be referred to

a housing placement based on their vulnerability score in CES that is not the most appropriate to meet their individualized needs because a more appropriate placement is not available at the time.

Finding 8:

Homekey imposed strict short timelines for property inspections, so some pre-purchase due diligence processes could not occur. Thus, the County and nonprofit operators had to modify the properties later, which made operating the properties more difficult in the initial months and added cost.

Response: The County *agrees* with this Finding.

Finding 9:

The County has not communicated what performance metrics it has developed to evaluate whether hotel conversions are meeting objectives.

Response: The County *agrees* with this Finding as it relates to permanent housing and is in the process of establishing performance metrics to evaluate whether hotel conversions are meeting objectives, but the County *disagrees* with this Finding as it relates to the interim housing sites for which contracts include performance measures and reporting requirements that are measured against the program objectives.

RECOMMENDATIONS

Recommendation 1:

By June 30, 2025, communicate at a public meeting the County's long-term strategic plan to address how the County will: (i) continue to fund new and existing hotel conversions, services, and operations; (ii) provide facilities to accommodate families; and (iii) establish timelines for possibly converting interim properties to permanent housing.

Response: *This Recommendation has been implemented.* The County brought each hotel purchase to the Board of Supervisors for approval at a public meeting, during which meetings the County addressed funding of conversions, services, and operations, how and whether facilities might accommodate families, and conversion timelines. (See e.g. Resolution Nos. 078081, 079743, 078471, 079744, 080331, 078472, 080204, 078469, 078470.)

Recommendation 2:

By December 31, 2024, develop a communication program to address the concerns of future hotel acquisition communities - by engaging parties that now have operating experience in their cities and communities to share challenges, successes, and data.

Response: *This Recommendation will be implemented within the next six months.*

Recommendation 3:

By December 31, 2024, develop and implement a process for closer collaboration between the nonprofit operators and the County to ensure that eligible individuals are matched with the right type of housing and services.

Response: *This Recommendation will be implemented within the next six months.* The

County has already secured a contractor to work on this process.

Recommendation 4:

By December 31, 2024, develop and implement a process for closer collaboration between the nonprofit operators and the County to ensure repairs, maintenance, and renovations occur in a timely manner.

Response: ***This Recommendation will not be implemented as it relates to permanent housing because it is not warranted and/or is not reasonable.*** For hotels that were or will be converted to permanent supportive rental housing, after a period of stabilization, the County will convey the property improvements to the operators through a ground lease along with the responsibility and funding to manage all repairs, maintenance and renovations as agreed in the ground lease. This will eliminate the County's review and approval of individual routine repair/maintenance projects. Additionally, this will allow operators to initiate the planning and Request for Proposals process for proposed major repairs and improvements, limiting the County's participation in these projects to plan review and final approval to ensure compliance with County standards and competitive bidding/prevailing wage requirements. ***This Recommendation has been implemented as it relates to interim housing sites.*** The County has developed and implemented a Maintenance and Repair Request Communication Protocol for interim housing sites which outlines procedures to follow when requesting maintenance or repair services from the County's Department of Public Works for shelter site infrastructure, electrical, routine maintenance, construction projects and repairs. This includes email requests for non-time sensitive work, and reporting emergencies that require rapid response during business and non-business hours.

Recommendation 5:

By December 31, 2024, implement the use of an annual or semi-annual collaborative on-site property condition report involving the nonprofit operators and the County to detail and verify that agreed upon repairs, maintenance and renovations have been completed.

Response: ***This recommendation has been implemented for permanent supportive rental housing and interim housing.*** Units are inspected at unit turnover. The County will conduct on-site property inspections annually to detail and verify that the property is being well maintained and agreed upon repairs, maintenance and renovations have been completed.

Recommendation 6:

By December 31, 2024, ensure that a process is in place for regular meetings among nonprofit operators, mental health providers, and the County to share issues and best practices across all the properties.

Response: ***This Recommendation has been implemented.*** The County shares issues and best practices between nonprofit operators, mental health providers, and the County through its bi-monthly HomeStat meetings.

Recommendation 7:

By December 31, 2024, develop and apply performance metrics to evaluate whether and how hotel conversions are meeting objectives, and communicate this to the public.

Response: This Recommendation has been partially implemented. For the interim housing sites, each contract with a shelter operator contains performance measures by which the County evaluates performance to determine if the interim housing program is meeting objectives. The County's homeless system data are communicated to the public via online dashboards and reports to the community, such as the Housing and Homelessness 2023 Year in Review report. Additionally, data are shared at public meetings such as HOPE IAC and the County's Community Action Agency. These metrics will be refined to improve the process of evaluating how hotel conversions are meeting objectives. Once completed the County will communicate these performance metrics to the public annually.

FISCAL IMPACT:

There is no fiscal impact associated with acceptance of the County's response to the Report.

ATTACHMENTS:

Attachment A: *Hospitality with Hope: Transforming Hotels into Homes, June 20, 2024*